



NATIONAL BANK OF GREECE
Economic Analysis Department

Survey of Greek SMEs H1:2016

Special Issue: Employment

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- ❑ Although the SME confidence index in H1.2016 showed a marginal improvement (up by 5 percentage points from H2.2015), it nevertheless remained in negative territory, implying that the broader business environment remains restrictive.
- ❑ Against this backdrop of business reticence, the slight increase in employment in the two-year period 2013-2015 (1.4 per cent annually) is as a notable development – with GDP growth virtually stagnant in real terms (growing by 0.2 per cent annually over the same period).
- ❑ In seeking to investigate these trends, NBG’s survey focuses on SMEs which account for 57 per cent of employment in Greece (compared with $\frac{1}{3}$ on average in the EU). On the basis of a questionnaire submitted to a sample of 1,200 companies, it appears that – after the slump in employment in the first years of the crisis (-26 per cent in the period 2007-2012) – the surviving SMEs are now gradually starting to take on new staff, with average employment per company growing by 3 per cent in the period 2013-2015.
- ❑ It is noteworthy that the recovery in employment is due to those SMEs that display export-orientation or innovative features, and which are steadily increasing their share of the SME segment overall, accounting for 40 per cent of SMEs in 2016, compared with 30 per cent in 2013. Specifically, average paid employment in these dynamic enterprises has increased by about 25 per cent over the past three years, while remaining stable for traditional SMEs.
- ❑ It is estimated that export-oriented and innovative SMEs will remain the pillar for growth in the year ahead, as almost $\frac{1}{2}$ of these enterprises state that they will increase their employment levels (compared with only 14 per cent for traditional SMEs). In view of the high importance of this dynamic group of SMEs, we note two points of concern:
 - ✓ $\frac{2}{3}$ of export-oriented and innovative SMEs state that there is a lack of skills (this is double the figure stated by traditional SMEs) – implying difficulties in finding staff that can meet the greater demands of a global competitive environment.
 - ✓ $\frac{1}{3}$ of these firms consider it possible or highly likely that they will transfer their base of operations abroad during the course of the coming year (double the figure stated by traditional SMEs).

- ❑ Regarding wage costs, there has been a marginal increase (3 per cent) during the past three years (after the sharp 47 per cent decline in the period 2007-2012). However, this is a positive development since it is a result of growth in paid employment (by 7 per cent during the past three years).
- ❑ While employment in SMEs displays a gradual recovery, sales by SMEs have continued to contract (by 13 per cent in the past three years). As a result, the ratio of wage costs to sales rose to 14.5 per cent in 2015 from an almost unvarying 12 per cent during the sharp fall in economic activity in the period 2007-2012 (and approximately 10 per cent on average in the – more capital intensive – European enterprises). The growth of employment before an increase in sales may be interpreted as operational preparation by SMEs for an imminent increase in demand, which – due to negative surprises in economic developments compared with initial business expectations – proved premature.
- ❑ For the following year, business estimates appear to converge on further employment growth. However, downward pressure on average wages and growing use of flexible types of labor will likely lead to a slight reduction in wage costs, as it appears that SMEs are endeavoring to correct the faster growth in wage costs compared with growth in sales during the previous three years.
- ❑ Consequently, SMEs appear to be adopting a "wait-and-see" stance vis-à-vis recovery in demand so as to further increase their employment. Specifically, our survey indicates that 92 per cent of SMEs consider that further labor market reforms will not lead to an increase in employment – which is hardly surprising, since small businesses are little affected by labor market legislation. In contrast, 51 per cent consider adopting policies that stimulate demand to be a precondition for more hirings, while 25 per cent consider structural reforms in other areas as the key to unlocking the potential of the labor market.

❑ Business conditions in H1.2016

❑ Labor market: the macroeconomic picture

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- Business plans

- Employment
- Unemployment

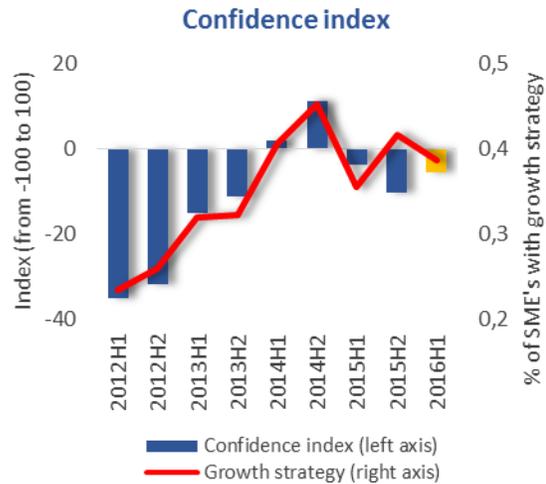
- Average employment per enterprise
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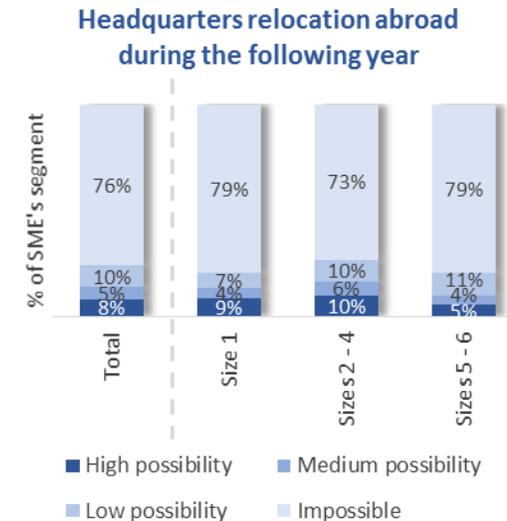
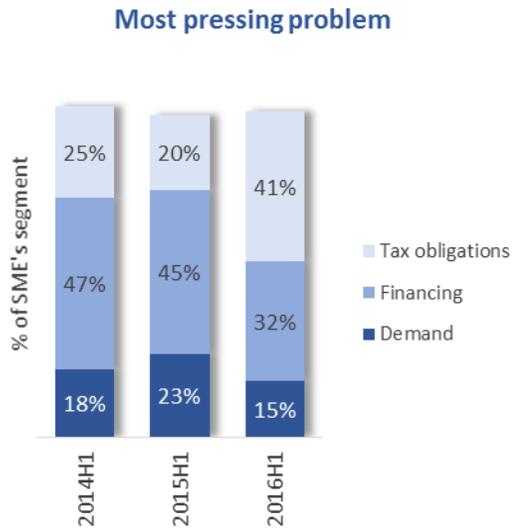
- Mapping the SME segment in Greece
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Although marginally improved, the business environment remains restrictive

- Although the Confidence Index for SMEs presented a slight improvement in H1.2016 (up by 5 percentage points from H2.2015), the business environment continues to show signs of pressure, as
 - ✓ the Confidence Index remains in negative territory (-5 points), suggesting that the greater part of the SME sector is still pessimistic about the current situation, and
 - ✓ the percentage of enterprises claiming to have a growth target declined to 39 per cent in H1.2016 from 42 per cent in H2.2015 (remaining, however, higher than the 36 per cent of H1.2015).
- Focusing on the main cause of that pressure, SMEs select the increased tax liabilities, with 41 per cent of the segment ranking them as the most pressing problem, compared with rates of 20-25 per cent in the previous two years (during which problems of financing and demand prevailed).
- The negative business environment is seeking a safety valve: a strong tendency to move abroad, as 24 per cent of the SME sector claim that they will likely move their registered offices abroad during the next year (particularly businesses with a turnover between €0.1 million and €2.5 million).

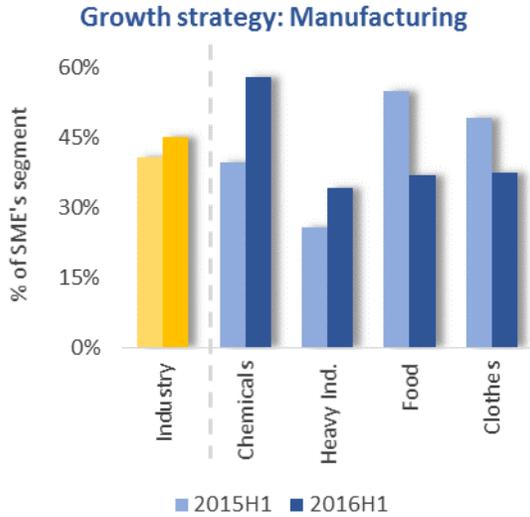


* The confidence index corresponds to the net balance of answers for decrease (-100), stability (0) and increase (+100).

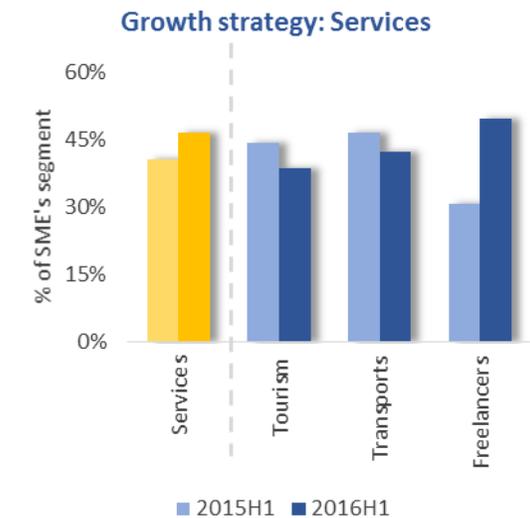


* The scale of 1-6 in the above charts indicates level of turnover. Specifically (in € millions): 1=(0-0.1), 2=(0.1-0.5), 3=(0.5-1), 4=(1-2.5), 5=(2.5-5) and 6=(5-10).

Manufacturing and services show the most businesses with plans to expand



- The strategic targeting of SMEs remains near the levels of 2015 – with a marginal improvement in the share of businesses with growth targets of around 3 percentage points (39 per cent in H1.2016 from 36 per cent in H1.2015).
- Manufacturing and services stand out (with a close to 45 per cent share of SMEs claiming to have plans to expand), while construction and trade SMEs remain in a more restricted phase (with about 30 per cent of growth oriented enterprises).
- Focusing on individual subsectors, we note the marked improvement in the chemicals industry (up by 18 percentage points) and, conversely, the slump in the food industry (down by 18 percentage points). Furthermore, it is notable that the tourism sector – with a relatively unchanged percentage of growth oriented enterprises (35 per cent) – succeeded in reducing the percentage of businesses in mere survival status (19 per cent from 29 per cent) with a parallel increase in the percentage of businesses reporting stabilized status. Last, the car industry is in a critical state. The percentage of businesses reporting survival status has increased by 22 percentage points (to 57 per cent in 2016 from 35 per cent in 2015).



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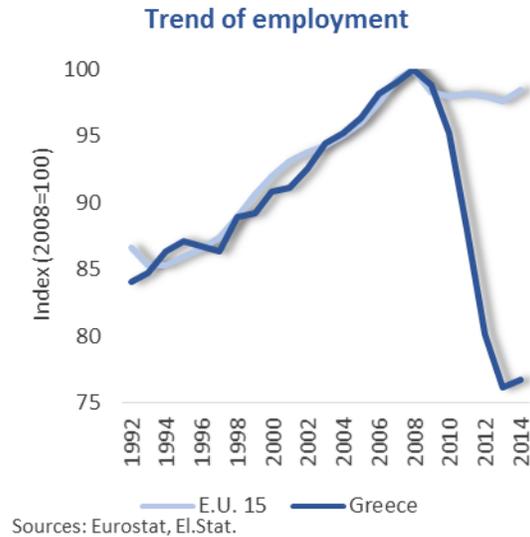
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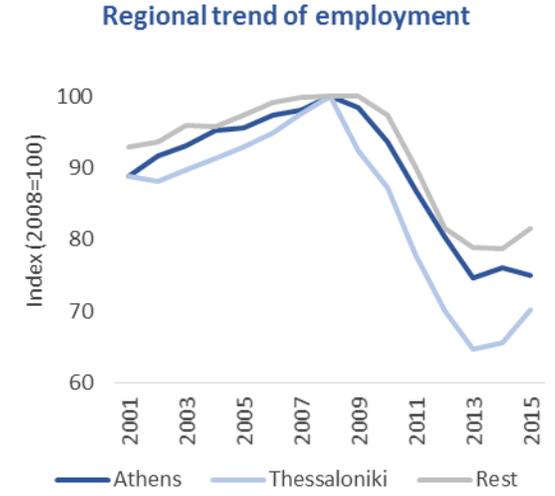
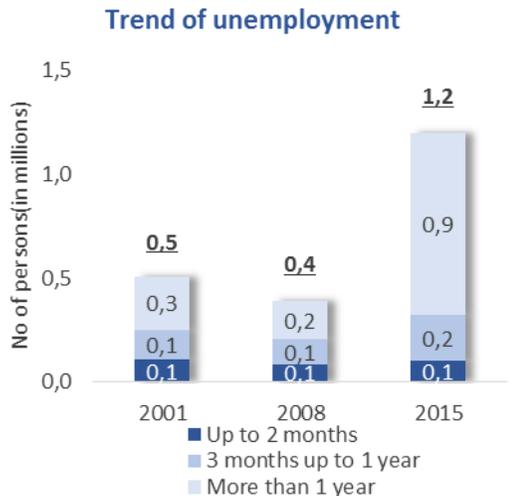
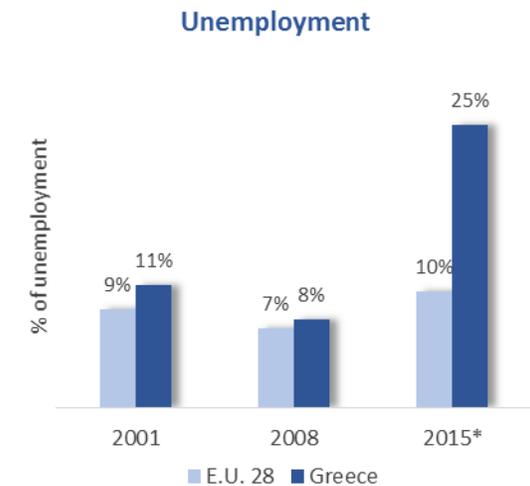
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The sharp decline in economic activity over the past seven years has caused a surge in the number of long-term unemployed population to almost 1 million

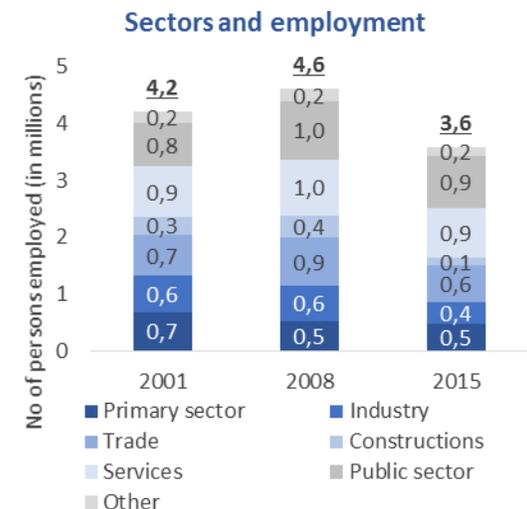


Over the past seven years, employment in Greece has declined by 23 per cent (from 4.6 million employed in 2008 to 3.6 million in 2015). As a result, the unemployment rate topped 25 per cent in 2015 from 8 per cent in 2008, corresponding to an increase in unemployment by 0.8 million (1.2 million in 2015 from 0.4 million in 2008). Thus, while the rate of unemployment in Greece was close to the EU average of 8 per cent in the previous decade (when, however, real GDP growth stood at 4 per cent annually compared with 2 per cent in the EU), the divergence widened to 15 percentage points in 2015 (from 10 to 25 per cent). Due to the protracted duration of the crisis, almost all the increase in unemployment stems from the increase in long-term unemployed (i.e. for more than one year). We note that a small percentage of the fall in employment is due to a decline of in the level of the workforce (4.8 million in 2015 from 5 million in 2008).

At this point, it is important to note that in the past two years (2013-2015) there has been a limited increase in employment (by 1.4 per cent annually). However, this improvement is mainly concentrated around the area of Thessaloniki, where the situation appears to be correcting, as this was the area with the sharpest drop in employment in the period 2008-2013 (-35 per cent compared with -23 per cent for the other areas), with the Athens area (where 1/3 of total employment is concentrated) remaining unchanged.

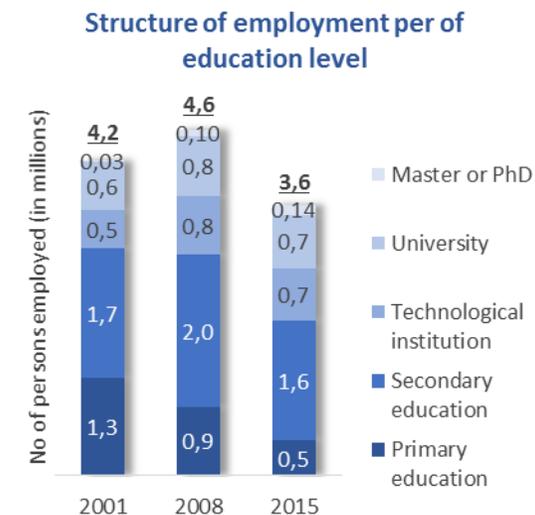


Construction and trade have lost the most jobs, while the turn to more flexible forms of employment appears to be a solution imposed by necessity

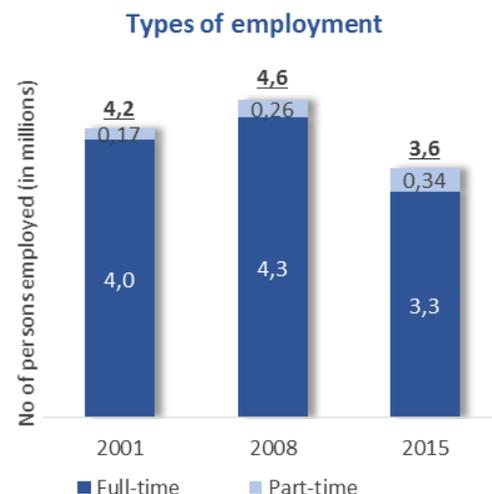


Source: El.Stat.

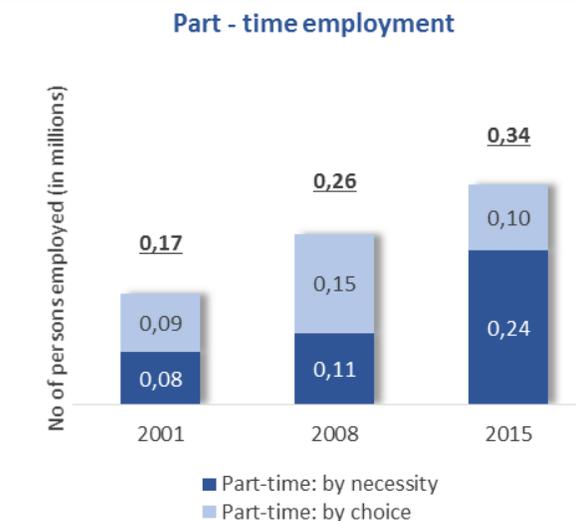
- The decline in employment by about 1 million in the past seven years (to 3.6 million in 2015 from 4.6 million in 2008) derives mainly from the trade and construction sectors (by 0.3 million each) and secondarily from manufacturing (by 0.2 million), while the decline in the public sector was about 0.1 million.
- In addition, 80 per cent of the reduction in employment in the period 2008-2015 concerns unskilled labor, as it corresponds to jobs for people without tertiary education.
- The reduction in employment in the past seven years resulted exclusively from full-time job positions, as the number of part-time jobs increased to 340,000 in 2015 from 260,000 in 2008 and 170,000 in 2001 – thus they now account for 9.5 per cent of jobs compared with 4.1 per cent in 2008. However, this turn to more flexible forms of employment appears to be a solution imposed under the pressure of the current crisis, as the number of part-time jobs by choice declined to 110,000 in 2015 from 150,000 in 2008, while part-time jobs as a result of necessity have more than doubled, to circa 240,000 in 2015 from 110,000 in 2008.



Source: El.Stat., NBG estimates



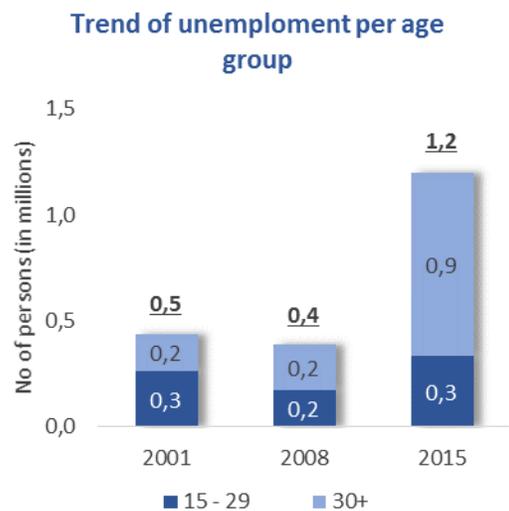
Source: El.Stat., NBG estimates



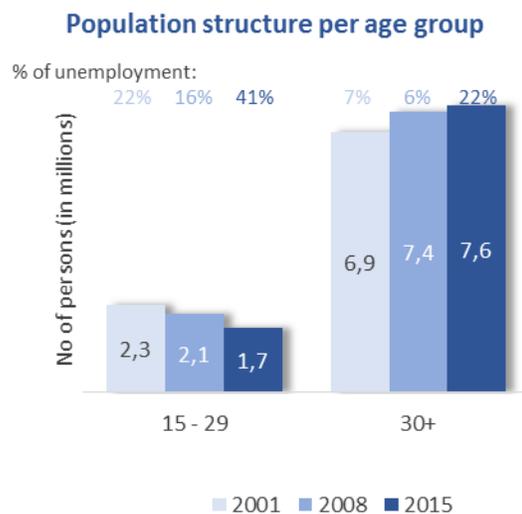
Source: El.Stat., NBG estimates

The rate of unemployment among the 30+ age group soared to 22 per cent in 2015 from 6 per cent in 2008

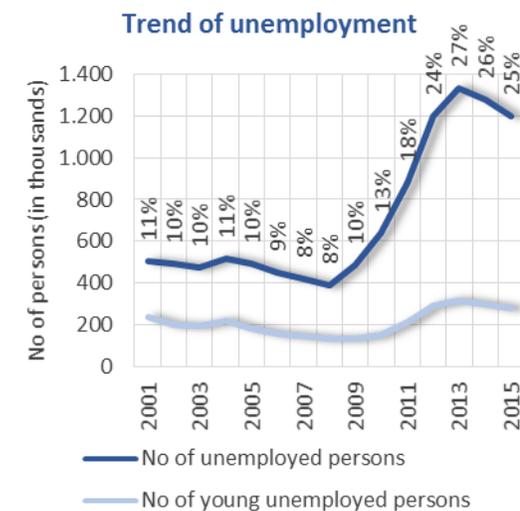
- When we examine the age structure of unemployment, the number of young unemployed (aged 15-29) remain around 200,000–300,000 in the period from 2001 to 2015, while the number of older unemployed persons (30+) has soared to about 1 million from around 200,000 in 2001.
- In addition, due to low birth rates and emigration, the population aged 15-29 has shrunk significantly in the past 15 years (to 1.7 million in 2015 from 2.3 million in 2001). Consequently, the roughly stable number of young unemployed needs to be viewed in the light of a shrinking total population of young people, implying that the respective rate of unemployment of young people climbed to 41 per cent in 2015 from 22 per cent in 2001 (and 16 per cent in 2008).
- While the relatively high rate of long-term unemployment among young people doubled during the past ten years, the unemployment rate among older persons (30+) tripled during the same period, reaching 22 per cent in 2015 from 7 per cent in 2001 (and 6 per cent in 2008).



Source: El.Stat.



Source: El.Stat., NBG estimates



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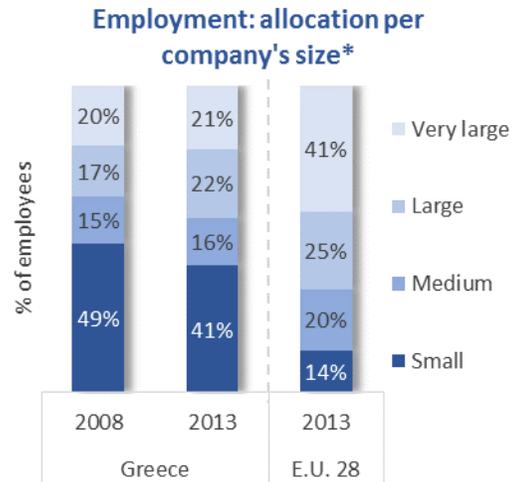
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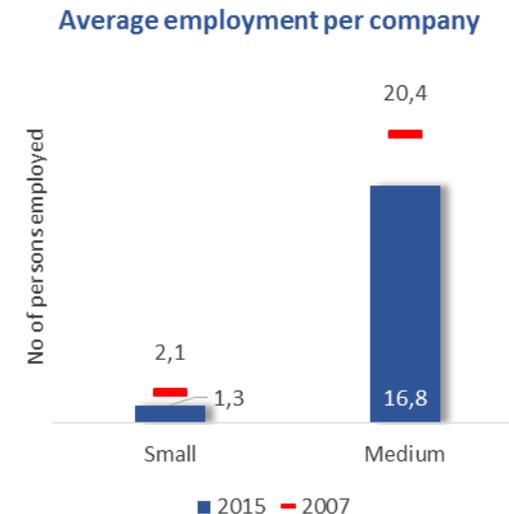
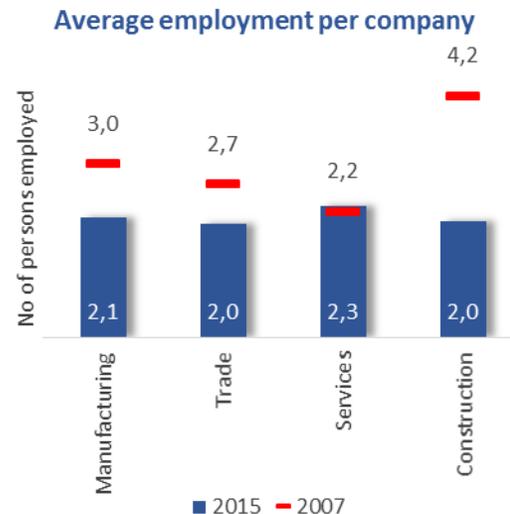
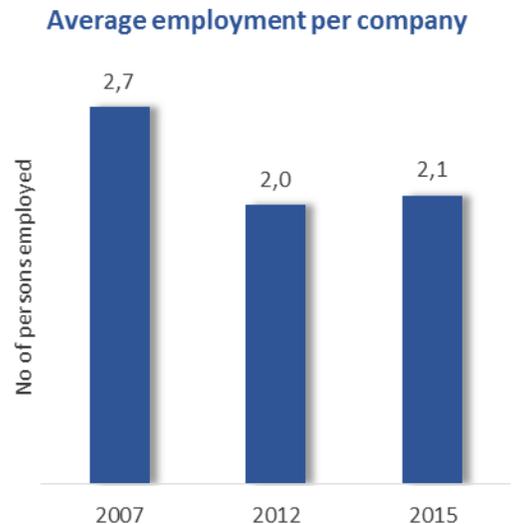
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Following the slump in employment in the first years of the economic crisis, the surviving SMEs appear to be gradually recruiting again...



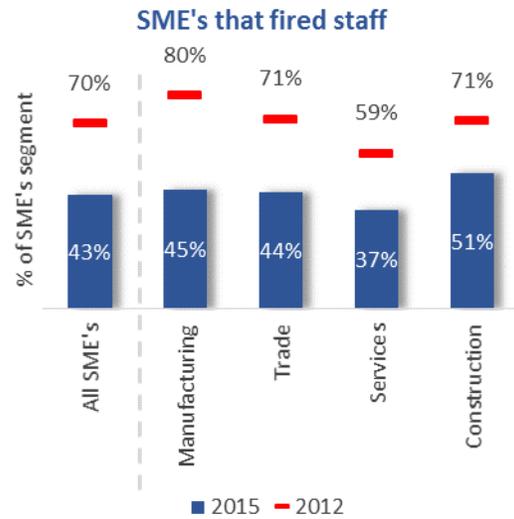
* data for industry
Source: Eurostat, NBG estimates

- ❑ While SMEs in the EU account for 1/3 of employment on average, in Greece the respective figure stands at 57 per cent (from 64 per cent in 2008).
- ❑ The contraction in activity (and employment) appears to have been faster than the rate at which SMEs were closing in the beginning of the crisis, thus resulting in a decline in average employment per SME by 26 per cent from 2007 to 2012. However, in the next phase of the crisis, the surviving SMEs appear to have gradually increased their employment (by 3 per cent in the period 2012-2015).
- ✓ When we look at the main individual sectors, we see that construction has been hit the hardest (cumulative 52 per cent decline in average employment over the past decade), whereas the services sector has posted marginal growth (of 4.5 per cent in the same period).
- ✓ Variations can be seen across the different business sizes – i.e. employment in medium-sized enterprises has proved to be more resilient, falling by 17.6 per cent compared with 38 per cent in small enterprises.

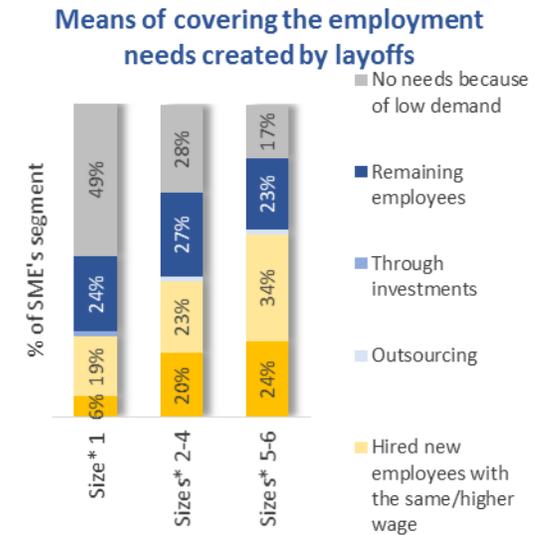
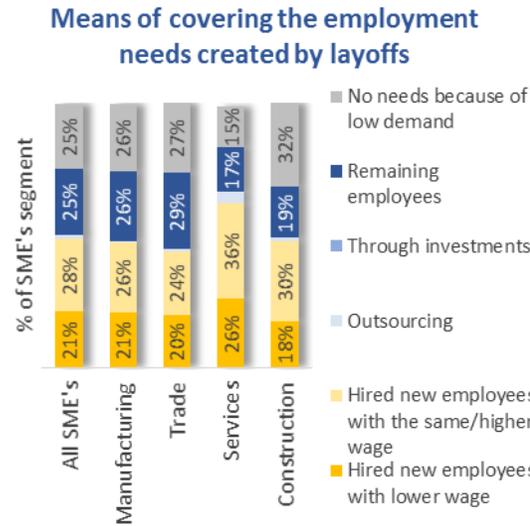
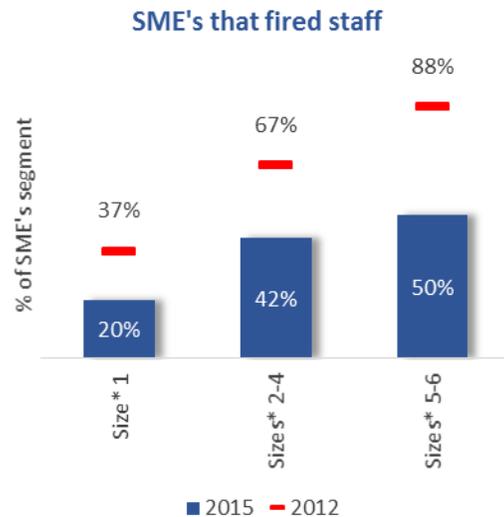


* Based on company annual turnover we define the following enterprise sizes (in € millions): small=(0-1), medium=(1-10), large=(10-50] and very large=(50 or more).

... and limiting layoffs



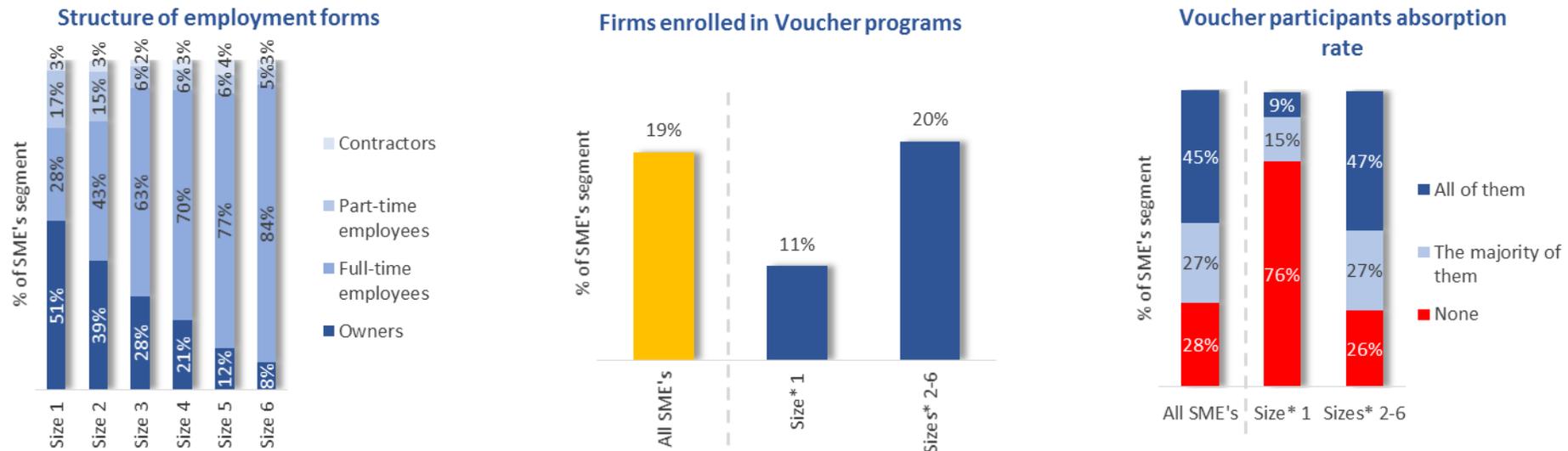
- Layoff data serve to reinforce the conclusion that the greater part of adjustment in the labor market has already taken place. Specifically, 43 per cent of the sector has cut jobs in the past 3 years (compared with 70 per cent in the 5-year period prior to 2012), with this rate posting few variations by sector but varying significantly by size (from 20 per cent in micro businesses to 50 per cent in larger SMEs).
- It is also worth noting that ½ of SMEs that carried out layoffs, thereafter offset the gap created with new hirings (of which about half were for the same or higher wages), whereas nearly ¼ stated that no gap was created due to job cuts – though this rate stands just at ½ for micro SMEs.



* The scale of 1-6 in the above charts indicates level of. Specifically (in € millions): 1=(0-0.1), 2=(0.1-0.5), 3=(0.5-1), 4=(1-2.5), 5=(2.5-5) and 6=(5-10).

Micro SMEs are mostly family businesses, while voucher programs have proved quite effective for larger SMEs

- When we look at the employment structure in SMEs, we see that micro SMEs are family businesses, which use flexible forms of employment to a greater extent to meet their operational needs (17 per cent compared with just 6 per cent for larger SMEs). In the case of larger SMEs, full-time employees form the majority of the staff, rising steadily to a percentage of 84 per cent (compared with 28 per cent in smaller-size SMEs).
- The size and the family nature of micro enterprises do not favor their inclusion in subsidized employment (“voucher”) programs**, with just 11 per cent stating that they are included in such programs, compared with 20 per cent for larger SMEs.
- It is notable that these programs have proved quite effective for larger SMEs, since 84 per cent of enterprises that signed up for the programs retained all or several of the participants after the voucher program had finished. As a result, larger SMEs appear to view these programs as a way to attract and assess staff that will cover identified employment needs. For micro enterprises, by contrast, such programs appear to work rather as a tool to cover temporary needs in staff without further employment prospects, since only 24 per cent of them hired all or several participants after the program had ended.

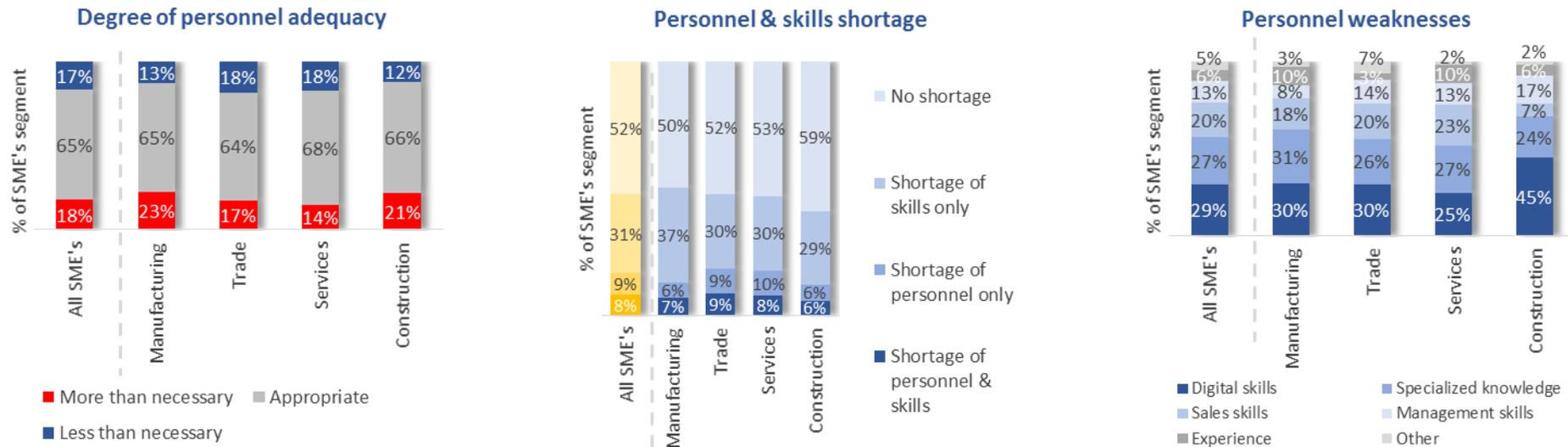


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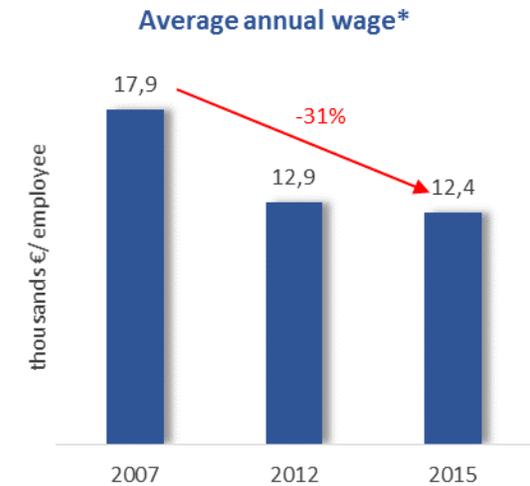
** The said voucher programs concern employment of a specific number of unemployed persons for a predefined length of time during which participating businesses receive a subsidy for all or part of the relevant labor costs.

Despite the improved educational level of the workforce, almost 40 per cent of SMEs face skills shortages (mainly of digital nature)

- With ⅔ of SMEs stating that they have the appropriate number of employees based on their operational needs, while equivalent shares (of about 15-20 per cent) state that they have an employee surplus or shortfall, the market appears to be reasonably balanced. A small concern regarding more than necessary employees exists in the sectors of construction and manufacturing.
- While SMEs regard their workforce as sufficient in terms of quantity, a lack of skills is observed, with 39 per cent of SMEs stating that they identify certain weaknesses in their staff – despite the improved general educational level of employees (see slide 9).
- When asked to record the weaknesses of their staff, businesses rank as most important the level of digital training (29 per cent), followed by specialized knowledge (27 per cent) and sales skills (20 per cent). Specifically, for SMEs in the sectors of manufacturing and services the most important weakness is the lack of specialized knowledge, while construction and trade regard inadequate digital skills as the key drawback of their employees.

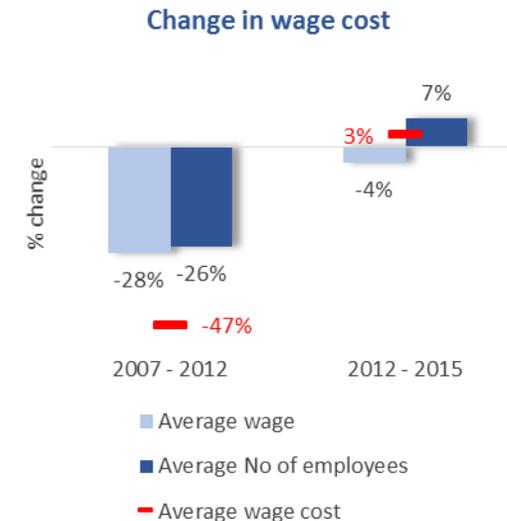
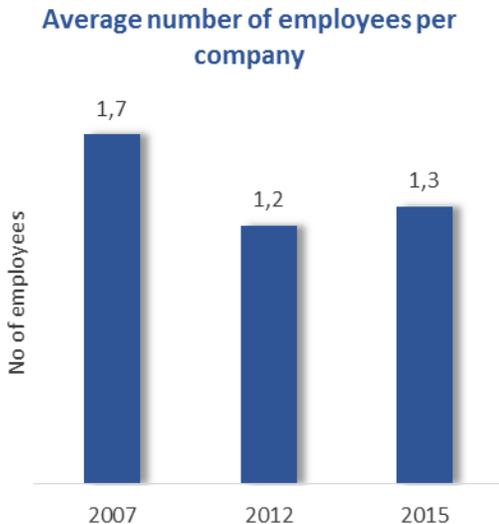
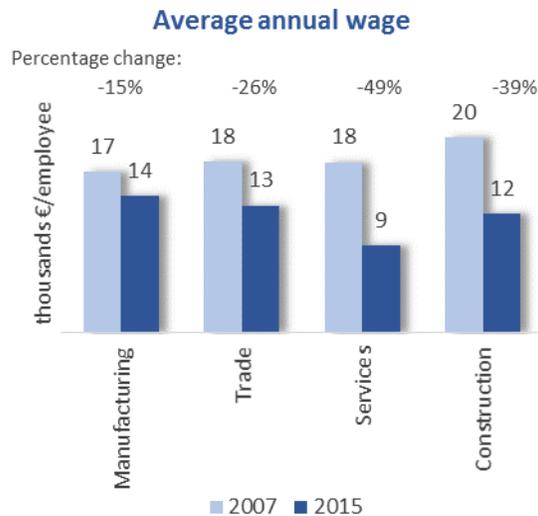


The growth in paid employment ...



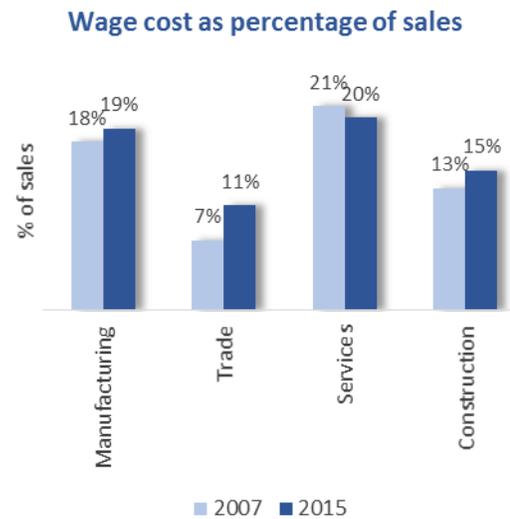
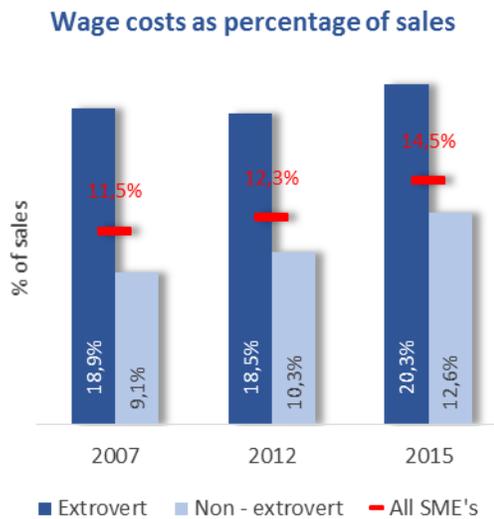
*Gross salary exclude the insurance contributions
Source: Eurostat, NBG estimates

- The contraction of the average wage level in SMEs continued in the past 3 years, though at a less intense pace (-1.3 per cent annually for the period 2012-2015, compared with an average annual decline of -5.6 per cent during 2007-2012). More intense downward pressure was apparent in services (which, however, is the most resilient segment in terms of employment), while a small reduction in average pay was stated by manufacturers.
- Paid employment presented a modest recovery (by 7 per cent) in the period 2012-2015, though still significantly below the 2007 level (1.3 employees per enterprise in 2015 compared with 1.7 employees in 2007).
- The result of the growth in paid employment and the less marked reduction (compared with the previous period) of average wage per employee has been a marginal increase in total wage costs (3 per cent) over the past three years, following the sharp decline of 47 per cent during 2007-2012.



... before the recovery of sales ...

- ❑ While SME sales have continued to contract (by 13 per cent in the past three years), the room for adjustment in the number of employees appears to have been exhausted and now SMEs are increasing employment – albeit marginally (3 per cent in overall employment and 7 per cent in paid employment over the past three years), but nevertheless faster than the further reduction of wages (4 per cent in the past three years). Accordingly, while the ratio of wage costs to sales remained virtually unchanged (close to 12 per cent) during the sharp decline in economic activity during the period 2007-2012, it rose to 14.5 per cent in 2015 (compared with about 10 per cent on average in the – more capital intensive – European enterprises).
- ❑ Specifically, the non-extrovert sectors of the economy report a steady rise in the ratio of wage costs to sales during the past seven years (by 39 per cent, cumulative). By contrast, export-oriented sectors present a more stable picture (a marginal fall in the ratio in the period 2007-2012, followed by a slight increase in the past three years).
- ❑ When we examine the individual segments, we see:
 - ✓ Trade has been hit hardest, with wage costs rising to 11 per cent of sales in 2015 from 7 per cent in 2007.
 - ✓ By contrast, services achieved a restriction of wage costs (20 per cent of sales in 2015 from 21 per cent in 2007), which reflects mainly the sharp reduction in average pay (49 per cent compared with 24 per cent in other SMEs during the past ten years), combined with the lowest drop in sales (40 per cent compared with 59 per cent in other SMEs in the past ten years).

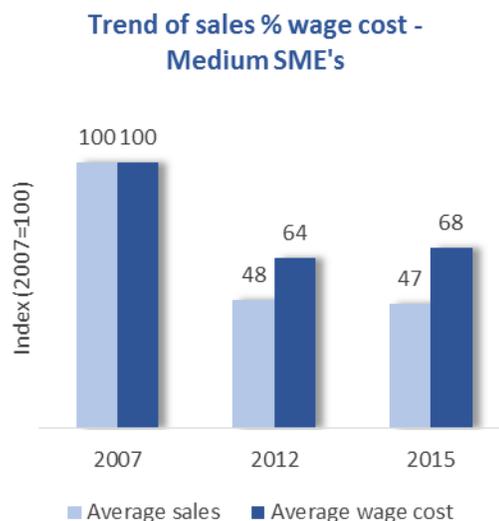
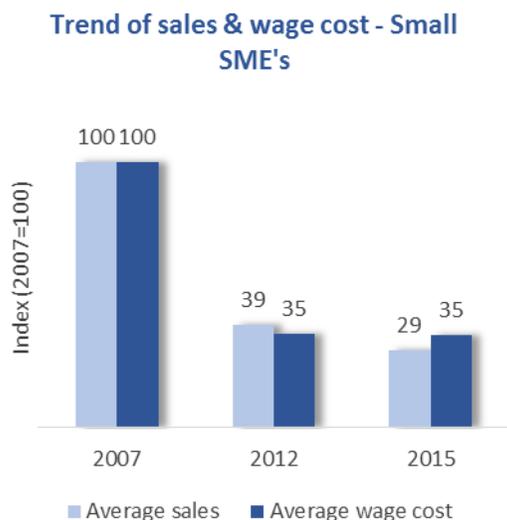


... proved premature and led, in the short term, to an increase in wage costs as a share of sales



□ The increase in the ratio of wage costs to sales in the past ten years was 3 per cent both in small enterprises (from 14.2 per cent in 2007 to 17 per cent in 2015) and medium-sized enterprises (from 7.3 per cent in 2007 to 10.6 per cent in 2015). However, as the ratio of wage costs to sales remains lower in medium-sized enterprises compared with small ones (10.6 per cent compared with 17 per cent respectively), the difficulty in paying the wage bill is greater in small enterprises. This is due both to the higher percentage of SMEs that delay paying their wage bill (27 per cent for micro enterprises compared with 17 per cent for larger SMEs) and to the longer delay in making such payments (5.9 months on average in micro enterprises compared with 3.4 months on average in larger SMEs).

□ The increase in employment before the increase in sales may be interpreted as operational preparation by SMEs for an imminent increase in demand, which – due to negative surprises in economic developments compared with initial business expectations – proved premature.



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- Average employment per enterprise

- Adequacy of personnel

- Employment costs

- The labor market in the year ahead

- Export-oriented and innovative SMEs

- Reforms

- Mapping the SME segment in Greece

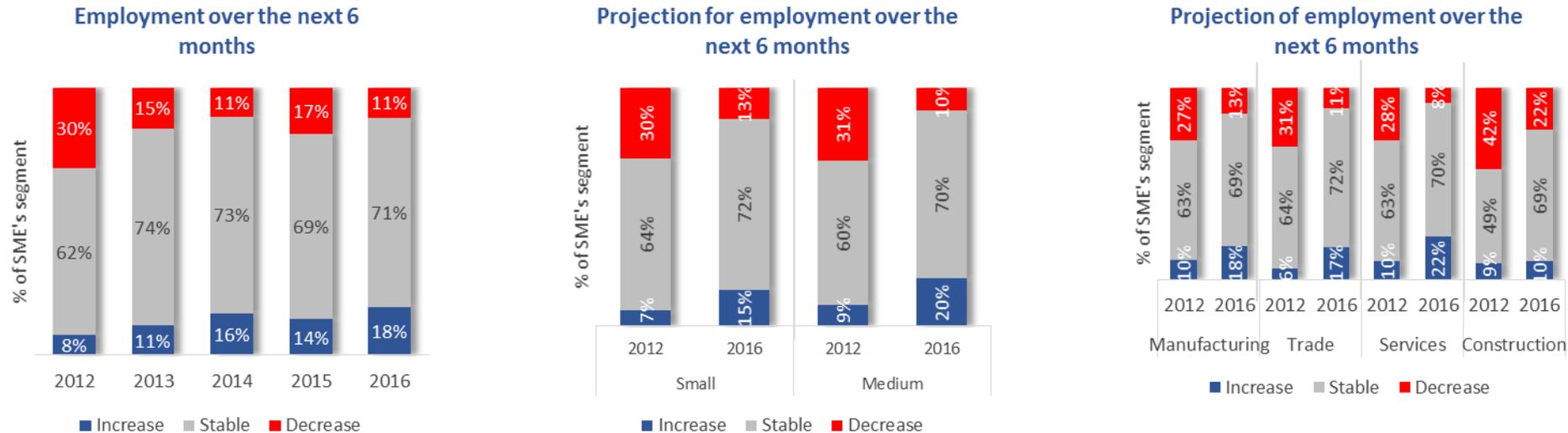
- Sample Description

- Constructing a business confidence index for SMEs

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The gradual recovery of employment is expected to continue

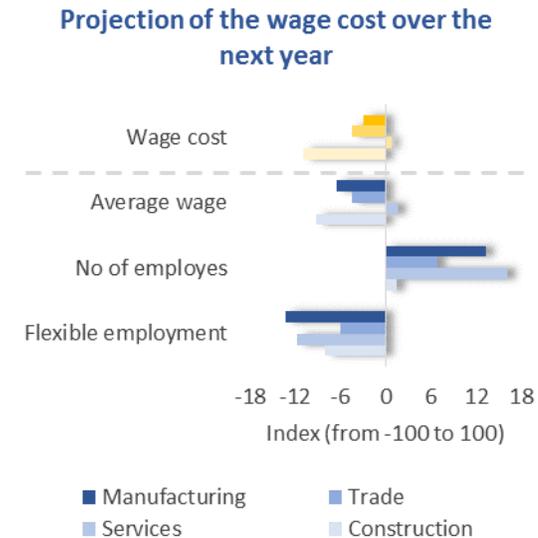
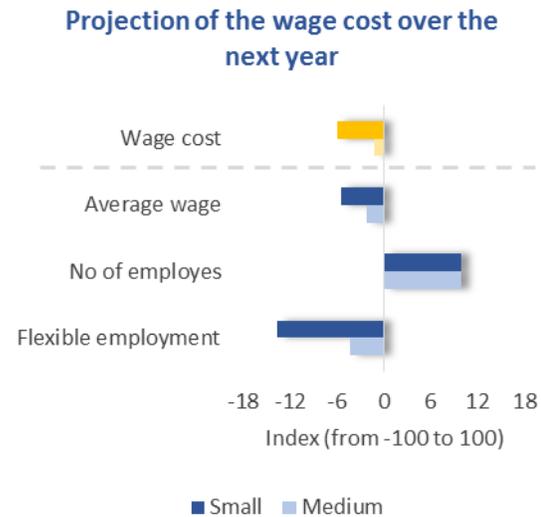
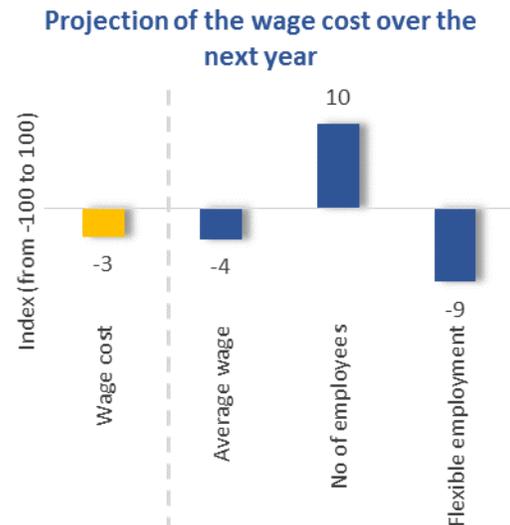
- The recovery in employment is expected to continue in the future, as positive expectations increase over time and should outweigh negative estimates. In particular, 18 per cent of SMEs now anticipate an increase in employment over the following six months (from just 8 per cent in 2012), as opposed to 11 per cent of SMEs expecting a decline in employment (from 30 per cent in 2012).
- This positive medium-term trend is a common feature:
 - ✓ Among all SMEs, regardless of size, where medium-sized enterprises are more optimistic, expecting to a greater extent an increase in employment (20 per cent compared with 15 per cent of small enterprises), while also positive estimates are double the negative estimates (20 per cent compared with 10 per cent).
 - ✓ Across the individual business sectors, with services standing out in terms of positive estimates, since 22 per cent of the sector anticipates an increase in employment (the rate rises to 29 per cent in tourism) as opposed to just 8 per cent anticipating a reduction. The exception is construction, where positive estimates are still outweighed by negative (10 per cent compared with 22 per cent, respectively), though the negative expectations are significantly lower compared with the past (22 per cent in 2016 from 42 per cent in 2012).



* Based on company annual turnover, we define the following enterprise sizes (in € millions): small=(0-1), medium=(1-10), large=(10-50] and very large=(50 or more).

Although employment should continue to increase over the coming year, wage costs are likely to decrease due to reduced average pay and increased use of flexible types of labor

- ❑ SMEs anticipate that total wage cost over the coming year will post a decline since they appear to make efforts to correct the rapid growth of wage costs to sales during the past three years. Specifically, it is estimated that:
 - ✓ the average wage will continue to be under pressure, and
 - ✓ despite the anticipated increase in the number of employees, the use of flexible types of employment will intensify.
- ❑ Additionally, small enterprises anticipate larger pay cuts than medium-sized enterprises and, at the same time, more aggressive use of flexible types of employment – thus resulting in a substantial reduction in total wage costs per enterprise.
- ❑ Regarding individual sectors, the sharpest drop in wage costs is expected in construction due to the stronger pressure exerted on the level of average wage per employee and the fact that the level of employment in the sector will remain roughly the same. By contrast, services anticipate the reverse of what other SMEs expect (i.e. a higher wage cost) under the parallel impact of higher employment and increased average wage.



* Based on company annual turnover we define the following enterprise sizes (in € millions): small=(0-1), medium=(1-10), large=(10-50] and very large=(50 or more).

Employment growth stems from the ever growing number of export-oriented and innovative SMEs ...

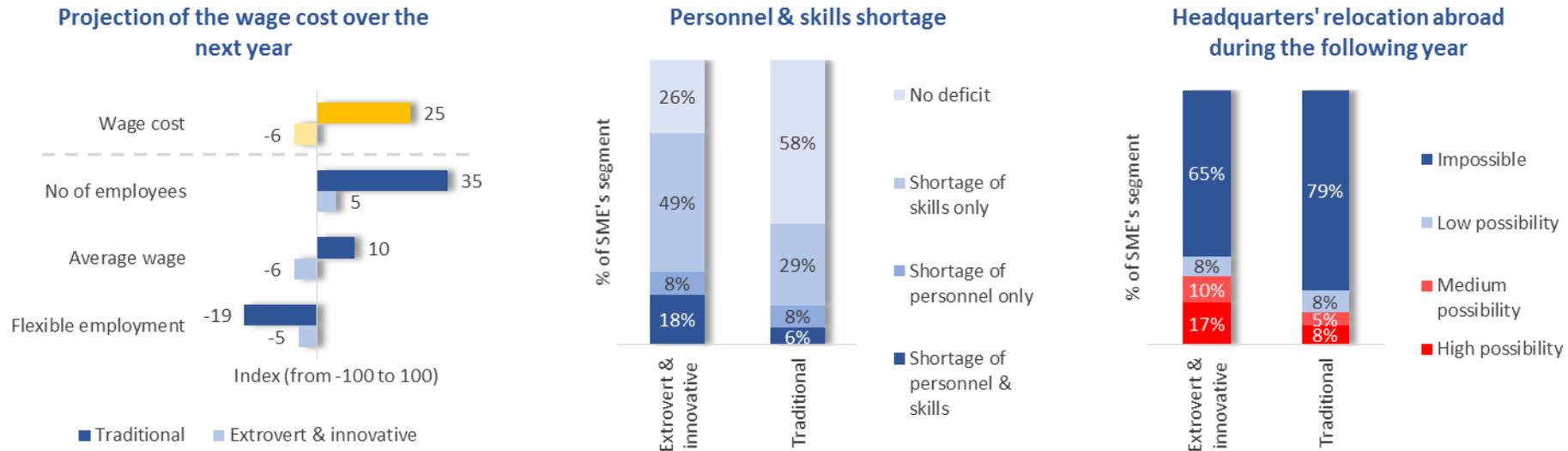
- While traditional enterprises continue to adopt tighter employment strategies, the growth of paid employment in SMEs is driven by the dynamic part of the sector, which is based on export-orientation and innovation. Highly important is the fact that this dynamic part – consisting mainly of manufacturing, tourism and transport enterprises – is steadily strengthening its presence in the SME sector, increasing its share to 40 per cent in 2016 from 30 per cent in 2013.
- Focusing on the highly dynamic component of export-oriented and innovative SMEs, we note the marked differences that such SMEs display compared with traditional SMEs in terms of operational efficiency, in view of the fact that:
 - ✓ they post a positive business confidence index (15 percentage points compared with -12 percentage points by other traditional SMEs);
 - ✓ 69 per cent have a growth strategy compared with just 31 per cent of traditional SMEs;
 - ✓ their average employment increased by 25 per cent in the period 2012-2015 compared with a marginal decline (-1 per cent) in traditional SMEs; and
 - ✓ the average wage in extrovert and innovative SMEs stood at almost the same level (down 1 per cent in the period 2012-2015 compared with a 5 per cent reduction in traditional SMEs in the same period).

As a result, the wage costs in extrovert and innovative SMEs rose by 24 per cent during the past three years compared with a reduction of 6 per cent in traditional SMEs during the same period.



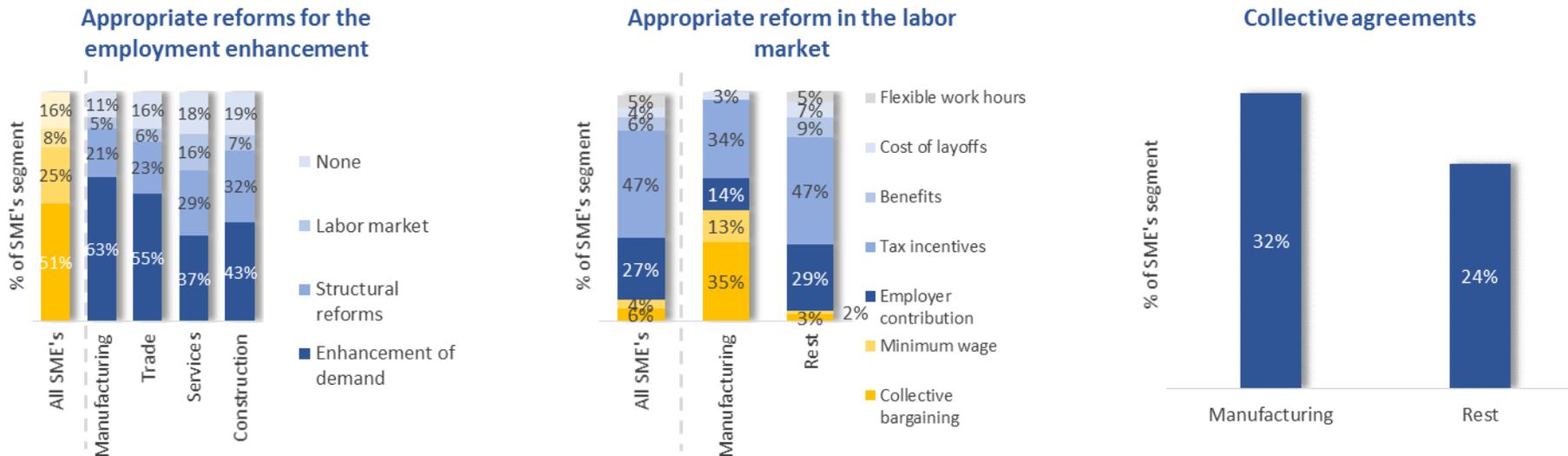
... which are expected to continue to support the labor market both in terms of employment and in terms of pay

- Export-oriented and innovative SMEs are expected to continue to increase employment over the next year (44 per cent compared with 14 per cent of traditional SMEs), as well as the level of average wages (13 per cent compared with 5 per cent of traditional SMEs).
- Reflecting the high potential of these SMEs, 26 per cent of export-oriented and innovative SMEs face a shortage of personnel (compared with just 14 per cent of traditional SMEs). While this point generates a positive outlook for demand in the labor market, it is nevertheless worrying that 67 per cent of extrovert and innovative SMEs report a shortage of skills (double the figure stated by traditional SMEs) – implying difficulties in finding employees that can meet the higher demands of a global competitive environment.
- Even more alarming is the fact that 27 per cent of this dynamic part of SMEs consider it possible or highly likely that they will transfer their base of operations abroad during the course of the coming year (double the figure stated by traditional SMEs).



92 per cent of SMEs say that reforms in the labor market have already contributed as much as possible to employment growth – structural reforms in other areas are now required to stimulate demand

- SMEs appear to have adopted a "wait-and-see" stance vis-à-vis recovery in demand so as to further increase their employment. Specifically, our survey indicates that 92 per cent of SMEs consider that further labor market reforms will not lead to an increase in employment – which is hardly surprising, since small enterprises are little affected by labor market legislation. In contrast, 51 per cent consider the adoption of policies that stimulate demand to be a precondition for increasing employment, while 25 per cent consider structural reforms in other areas (such as the legal framework, the operational framework of the market, infrastructures etc.) as the key to unlocking the potential of the labor market.
- In any case, if we focus on the most desired (by SMEs) reforms in the labor market, ½ of SMEs seek tax incentives in order to boost employment. Note that there is a differentiation when it comes to the manufacturing sector, where ½ of SMEs express the desire for the adoption of further measures vis-à-vis collective negotiations and the minimum wage, thereby reflecting the special characteristics of the segment, which displays higher rates of paid employment based on collective labor agreements (32 per cent compared with 24 per cent of other SMEs) which constrain flexibility and adaptability to new conditions.



❑ Business conditions in H1.2016

❑ Labor market: the macroeconomic picture

❑ NBG survey of employment in SMEs

❑ Looking forward

❑ Annex

▪ SMEs Business confidence index

▪ Business plans

▪ Employment

▪ Unemployment

▪ Average employment per enterprise

▪ Adequacy of personnel

▪ Employment costs

▪ The labor market in the year ahead

▪ Export-oriented and innovative SMEs

▪ Reforms

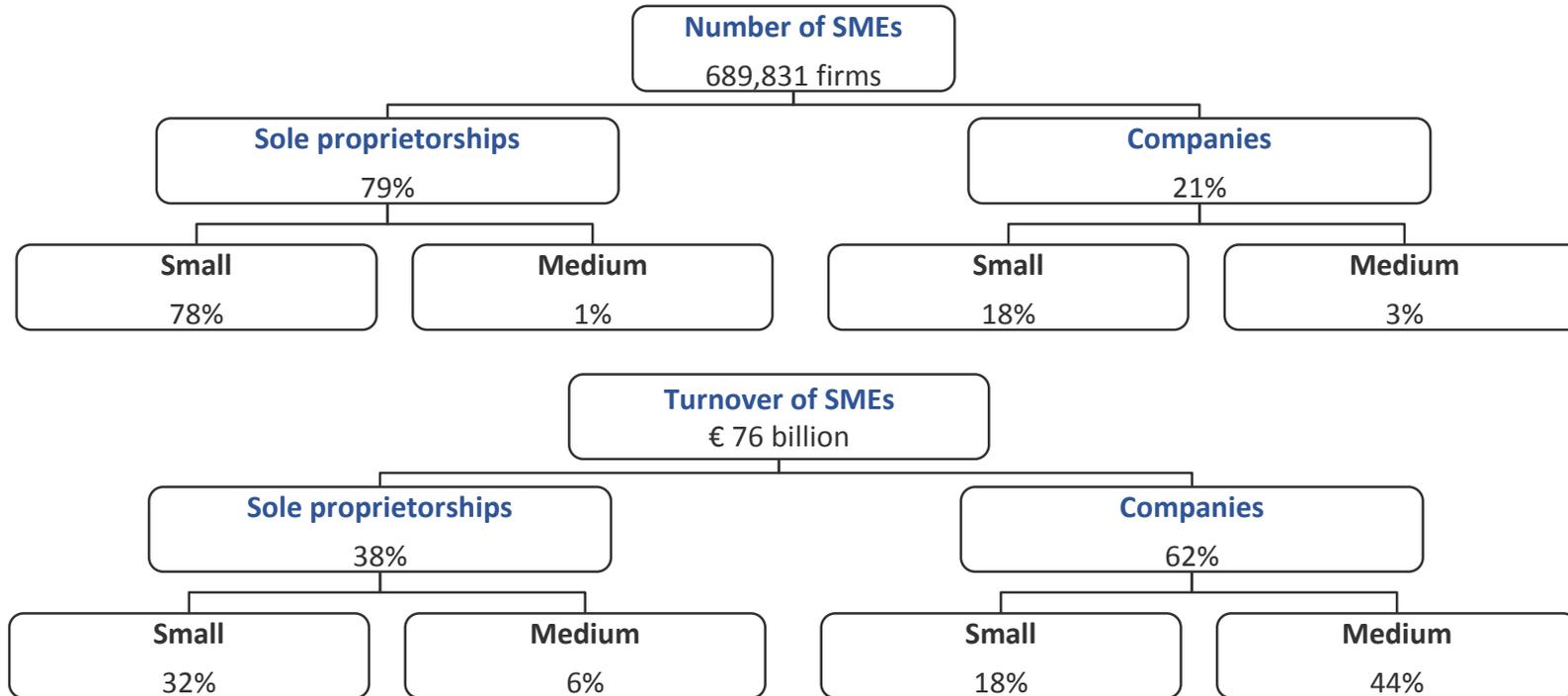
▪ Mapping the SME segment in Greece

▪ Sample Description

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Mapping the SME segment in Greece



** For the purposes of the survey, small enterprises are those reporting turnover of less than €1 million and medium-sized enterprises are those reporting turnover of between €1 million and €10 million.*

Source: SBA Factsheet 2015, Eurostat, EL.STAT. Company Register, NBG Estimates

- ❑ The circa 690,000 SMEs in Greece generate turnover of around €76 billion.
- ❑ 4/5 of SMEs are sole proprietorships, which account for a corresponding share of the total domestic business sector (compared with just ½ of the business sector in Europe).
- ❑ Although sole proprietorships comprise the majority of SMEs, the greater share of turnover (over 60%) is generated by companies of various legal status (SA, limited partnership, limited liability, etc.).

Sample Description

Sample Structure* (number of companies)						Greek SMEs segment structure * (based on turnover)					
Turnover (in million €)	Manufacturing	Services	Trade	Construction	Total SMEs	Turnover (in million €)	Manufacturing	Services	Trade	Construction	Total SMEs
1: (0 - 0,1]	45	45	73	30	193	1: (0 - 0,1]	1%	5%	2%	1%	9%
2: (0.1 - 0,5]	45	45	73	30	193	2: (0.1 - 0,5]	3%	6%	12%	1%	22%
3: (0.5 - 1]	45	45	74	30	194	3: (0.5 - 1]	2%	3%	9%	1%	15%
4: (1 - 2,5]	45	45	74	30	194	4: (1 - 2,5]	3%	3%	11%	1%	18%
5: (2.5 - 5]	45	45	73	30	193	5: (2.5 - 5]	4%	4%	8%	1%	17%
6: (5 - 10]	45	45	73	30	193	6: (5 - 10]	4%	4%	9%	2%	19%
Total SMEs	270	270	440	180	1160	Total SMEs	17%	25%	51%	7%	100%

* Depending on data availability, there is possible deviation of 10 per cent

* Weighted average of SME segment structure in 2007 (25%) and 2013 (75%)

Source: EL.STAT. Company Register (2007), ICAP Data, Eurostat, NBG Estimates

- ❑ Our survey examines a sample of enterprises with a turnover of below €10 million, which, for the purposes of the analysis, we define as small and medium-sized enterprises (SMEs).
- ❑ Enterprises were selected using a stratified sampling method, in line with the standards of similar surveys carried out by international organizations. Specifically, a total of 1.164 enterprises were selected in such a way as to enable even distribution of the sample on the basis of two key factors: scale of turnover (6 scales) and sector of activity (Manufacturing, Trade, Services, Construction).
- ❑ In order to draw conclusions that are representative of the SME segment, answers were weighted according to the participation of each sub-set in the total turnover of the segment. Thus, findings were arranged (i) by size, (ii) by sector, and (iii) for the entire SME business sector. In line with the methodology, the segments are weighted on the basis of their shares in total turnover and not the number of enterprises.

- ❑ In order to construct a confidence index for SMEs, we included a number of basic questions regarding the level of business activity in the previous and in the coming half year. The model for the questions is based on the harmonized questionnaire recommended by the OECD and the European Commission, thereby enhancing the comparability of the index.
- ❑ The Index questions offer 3 alternative answers: increase (+), no change (=), decrease (-), or above normal (+), normal (=), below normal (-). To begin with, we convert the number of answers per category (+,=,-) to percentages and then we calculate the net result by subtracting the (-) from the (+) percentage. Last, the confidence index for each sector is the average of the net results for the following questions:
 - ✓ For **manufacturing**: The level of orders, inventories, and future production trend.
 - ✓ For **services**: The business situation of the firm in the previous half year, past and future demand trend.
 - ✓ For **trade**: Level of inventories, past and future demand.
 - ✓ For **construction**: Level of backlog, and future employment trend.
- ❑ For the SME sector, the business confidence index has been estimated as a weighted average of its subsectors (the weights being the shares of the sectors' turnover in the economy).
- ❑ By carrying out the survey on a regular 6-month basis, we should be able to form a picture of SMEs' course over time, as reflected in the index. To draw reliable conclusions, comparison will be made between the current index level and its long-term average (so as to correct possible over-optimism or over-pessimism bias).
- ❑ The evolution of the confidence index (and any other reviews over the course of time) does not take into account the closing of companies, just the developments regarding businesses operating during the period this survey is carried out.

- ❑ Company: TNS
- ❑ Methodology: Quantitative research in the form of Computer Aided Telephone Interviewing - C.A.T.I., using a 20-minute structured questionnaire.
- ❑ Sample: A total of 1,160 interviews were conducted (960 within the context of the current assessment plus 200 booster interviews with SME Retail Trade):
 - ✓ 580 enterprises with annual turnover up to €1 million (freelancers, sole proprietorships, unlimited partnerships, limited partnerships, limited liability companies, SAs) - 100 of which are retail trade
 - ✓ 580 enterprises with annual turnover between €1 million and €10 million (unlimited partnerships, limited partnerships, SAs, limited liability companies) - 100 of which are retail trade
- ❑ Geographical coverage:
 - ✓ Athens, Thessaloniki, Heraklion, Ioannina, Kavala, Larissa, Patras
- ❑ Sampling: multi-stage, stratified, non-proportional sampling for sector, turnover size & geographical area in each of the two sets of samples. Quotas relating to turnover and for the booster sample.
- ❑ Statistical error: in each of the two sets of samples of 480 enterprises the maximum statistical error is estimated at +/- 4.15 per cent at a 95 per cent confidence level.
- ❑ Period of survey: 24/02/2016 - 11/04/2016
- ❑ Survey framework: The survey was carried out in line with ESOMAR and SEDEA (Association of Greek Market and Opinion Research Companies) codes of conduct and the quality control requirements set by PESS (Quality Control in Data Collection). A total of 32 researchers and 4 reviewers with experience and know-how in business surveys participated in the field research.



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